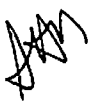




STATE OF TENNESSEE
DEPARTMENT OF FINANCE AND ADMINISTRATION
DIVISION OF MENTAL RETARDATION SERVICES
ANDREW JACKSON BUILDING, 15th FLOOR
500 DEADERICK STREET
NASHVILLE, TENNESSEE 37243

MEMORANDUM

TO: Assistant Commissioners
Central Office Directors
Regional Directors
Chief Officers – Developmental Centers

FROM: Stephen H. Norris 

DATE: December 18, 2007

SUBJECT: Expense Reduction

The state of Tennessee is currently experiencing a shortfall in revenue collections. To date, revenue collections are approximately \$120 million dollars below projections. This means that it is incumbent upon us as the DMRS leadership to find ways to operate this division of state government as efficiently as possible and to continue to look for ways to reduce our operating expenses.

This circumstance occurs at a time when we continue to experience increases in the per person per day cost in the statewide Home and Community Based Waiver. As many of you know, on December 6, 2007, I implemented an across the board rate reduction of 5.7% for a total cost reduction of \$2.4 million dollars in the statewide Home and Community Based Waiver only. The Arlington and the Self-Determination Waivers were not affected. This is and will continue to be a controversial decision and not one I took lightly.

The preferred methodology is to affect cost reductions on a cost plan by cost plan basis and we are in fact working with the provider community to achieve the necessary savings in this manner. However, this is a slower less certain process.

Therefore, until this process produces the required affect of reducing our per person per day cost from an average of \$233 dollars per day to \$209 per day then further across the board reductions may be necessary.

It is simply not appropriate for us to ask the provider community to absorb these cost reductions without the Division of Mental Retardation Services being willing to absorb similar reductions in expenditures.

I am therefore, effective today, requiring the following:

1. Hiring Freeze: Effective today, the only vacant positions which will be filled are those specifically required by court order or that relate specifically to the daily care of persons in our care.
2. Travel Freeze: Effective today, all out-of-state travel requests will be denied. All in-state travel is to be kept at the minimum necessary for us to carry out our mission and mandates.
3. Purchasing: Effective today, all purchasing will be restricted to the goods and services necessary for the performance of our mission and the wellbeing of those persons in our care.
4. It is expected that by January 11, 2008, that each Regional Director and each Developmental Center Chief Officer submit a specific plan for the reduction of expenses equal to 5% of total annual operations. The central office will experience the same requirement.

Please be assured that these are not decisions that I have taken lightly. I have given these directives a good deal of thought and I am confident that we can achieve the budgetary goals necessary. These directives will remain in place until further notice.

SHN/fs